

Contents:

Highlights

Core indicators

GDP growth

Business environment

Household consumption

International trade

Financial markets

Money and prices

Labour

Government

Note: Shaded area in graphs denote the downward phase of the business cycle.

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Highlights

Consumer confidence at an all-time high in 2018Q1

The FNB/BER Consumer Confidence Index (CCI) skyrocketed to an all-time high of +26 in the first quarter of 2018. The latest reading surpassed the previous record high of +23 index points reached in the first quarter of 2007. The dramatic increase signals a substantial improvement in consumers' willingness to spend. The extraordinary improvement in consumer sentiment can largely be ascribed to the change in the country's leadership. There is a risk that the CCI overshot during the first quarter on the back of the positive sentiment, implying that there could be a negative correction during the second quarter.

Inflation moderates unexpectedly in March

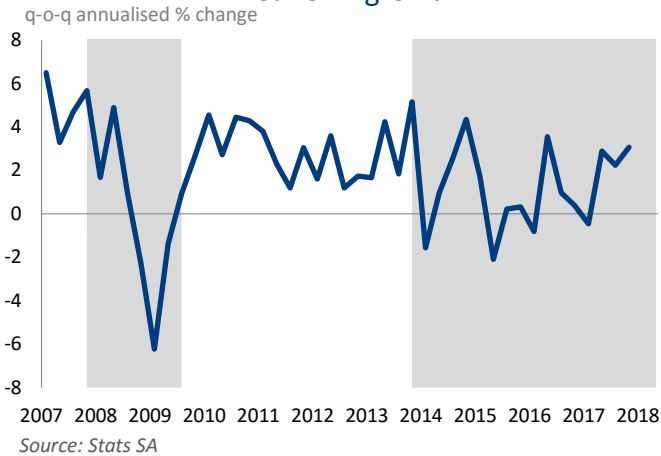
Consumer inflation slowed from 4% y-o-y in February to 3.8% in March, the lowest level in seven years. Annual core inflation remained unchanged at 4.1% for a third month. The biggest contribution to headline inflation came from miscellaneous goods and services that added 1 percentage point (%pt) to the total. Food and non-alcoholic beverages added a further 0.6%pts, down from 0.7%pts in February. A marked slowdown in food price inflation has been one of the key drivers of the overall moderation in consumer inflation. However, food price inflation is expected to trend broadly higher over the coming months as favourable base effects have run their course. On a monthly basis, CPI ticked up by 0.4% in March. Looking forward, April will be the first month that the impact of the 1%pt hike in the VAT rate will be seen. This, along with the hefty petrol price increase in April and the introduction of the sugar tax, is projected to push the annual CPI increase back above the midpoint (4.5%) of the inflation target range.

Manufacturing production disappointed in February, mining output somewhat higher

Manufacturing production surprised on the downside in February. Seasonally adjusted (sa) output declined by 2.4% m-o-m after a 1.6% dip in January. The February figure was pulled down by the Engen Refinery in Durban closing for planned maintenance from the 5th of February to the 30th of March. On a monthly basis, (sa) **mining** production grew by 0.9% in February, from 1% in January. The monthly gain was despite gold, iron ore, PGM's and coal output weighing on the overall print. Diamond production provided the biggest boost to both the monthly and annual mining production figure.

Core indicators

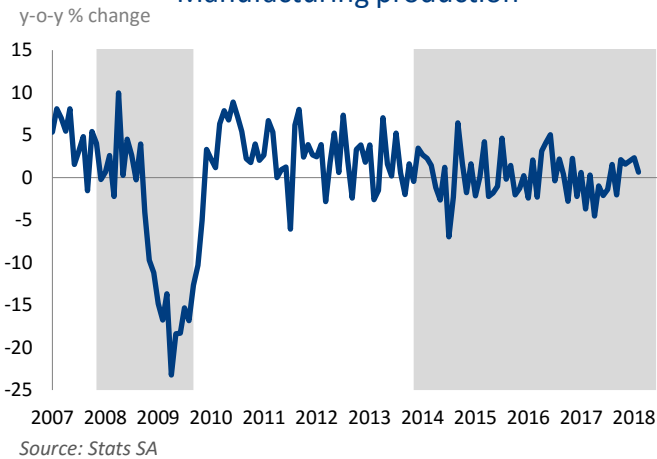
Real GDP growth



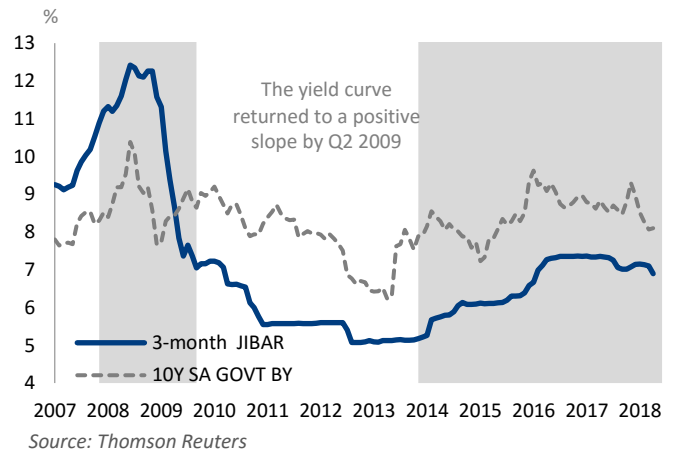
CPI inflation



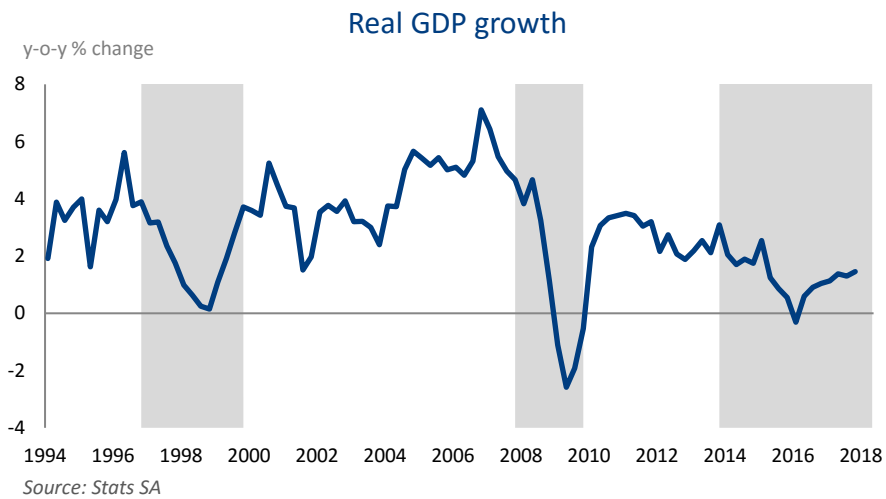
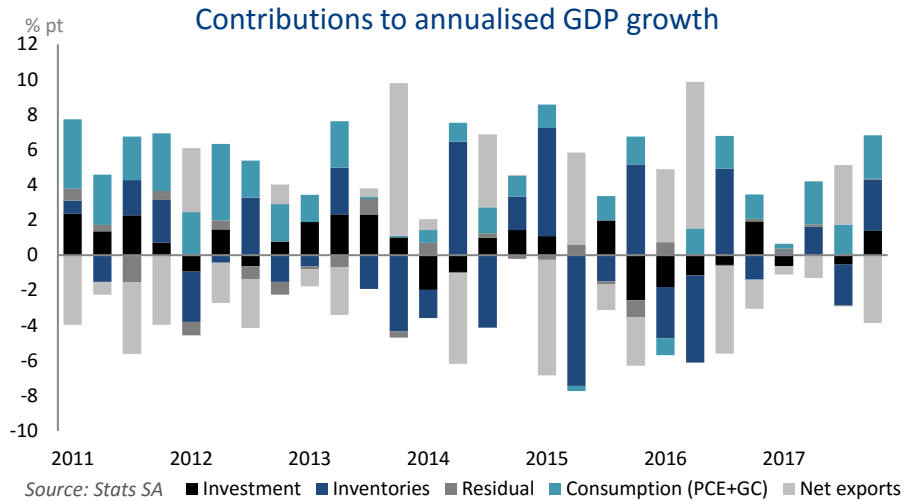
Manufacturing production



Interest rates

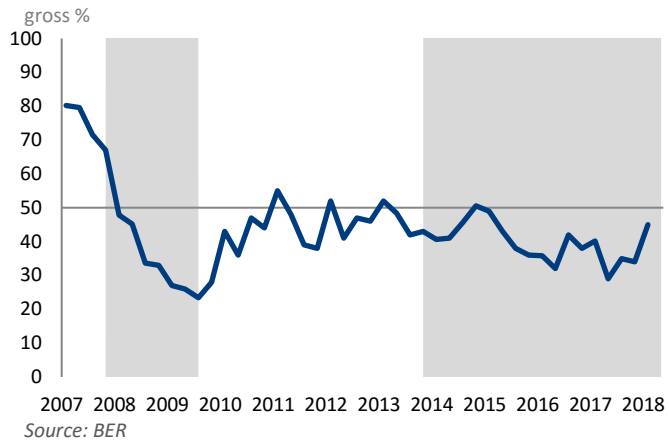


GDP growth

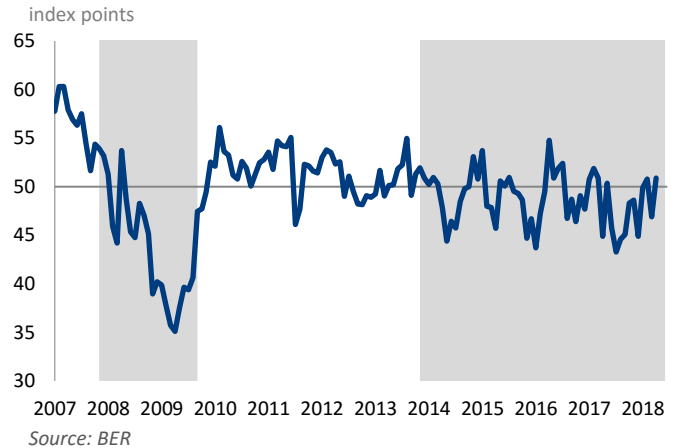


Business environment

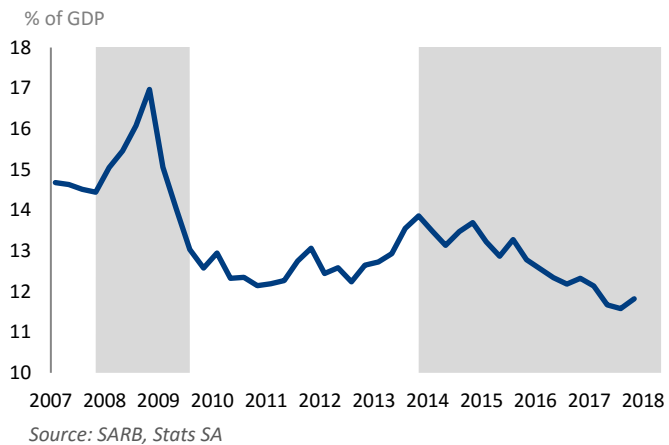
RMB/BER Business Confidence Index



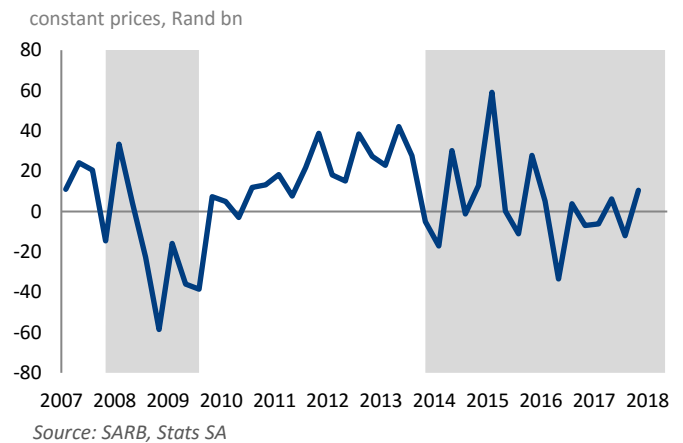
Absa Purchasing Managers Index



Private fixed investment

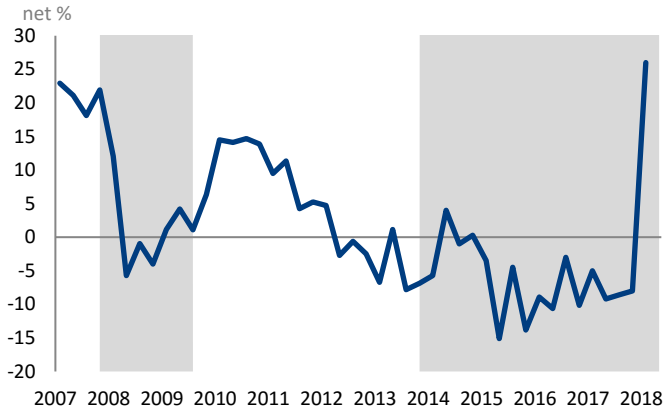


Changes in inventories



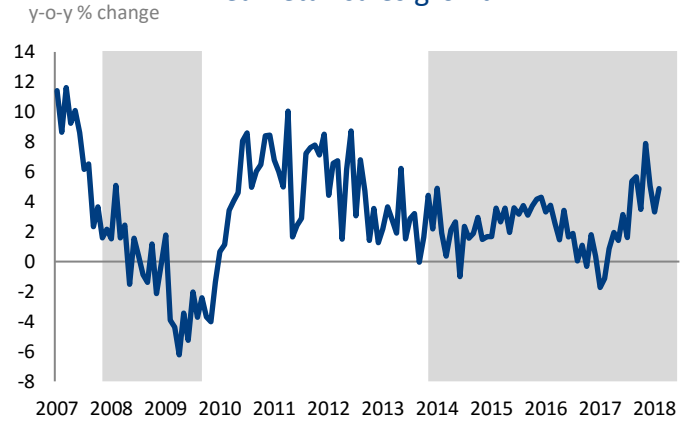
Household consumption

FNB/BER Consumer Confidence Index



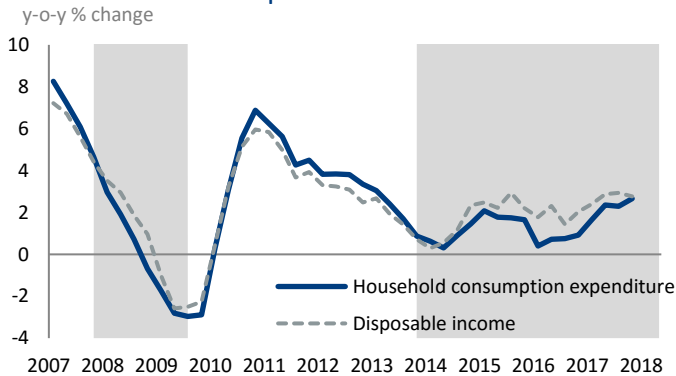
Source: BER

Real retail sales growth



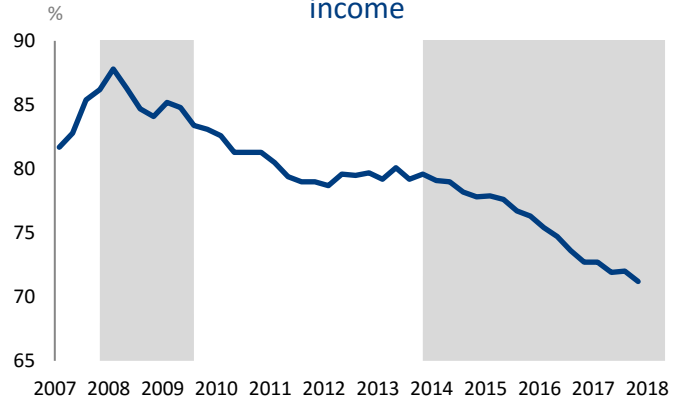
Source: Stats SA

Household consumption and real disposable income



Source: SARB, Stats SA

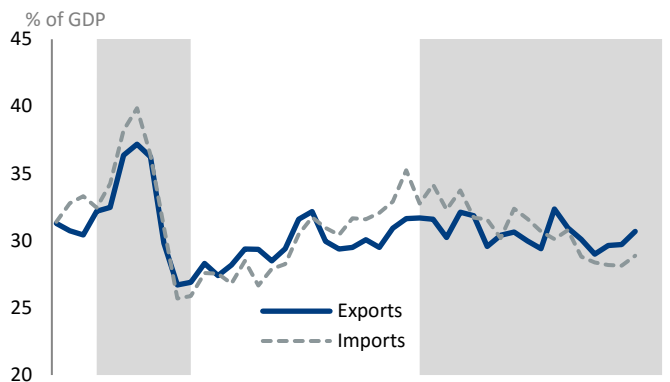
Ratio of household debt to disposable income



Source: SARB

International trade

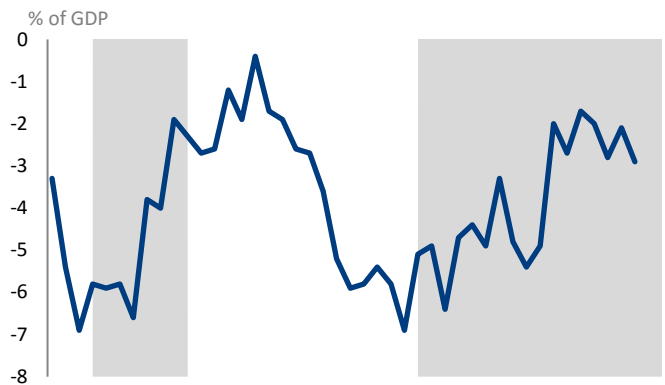
Imports and exports



2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018

Source: SARB, Stats SA

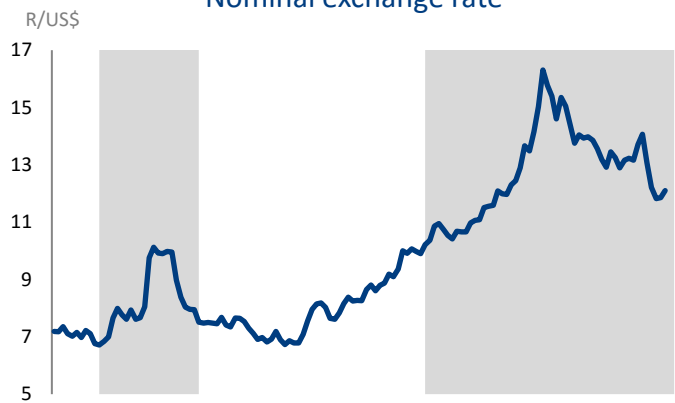
Current account balance



2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018

Source: SARB

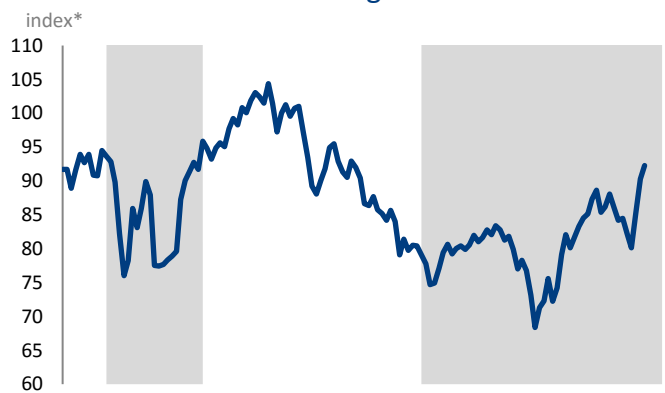
Nominal exchange rate



2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018

Source: Thomson Reuters

Real effective exchange rate of the Rand

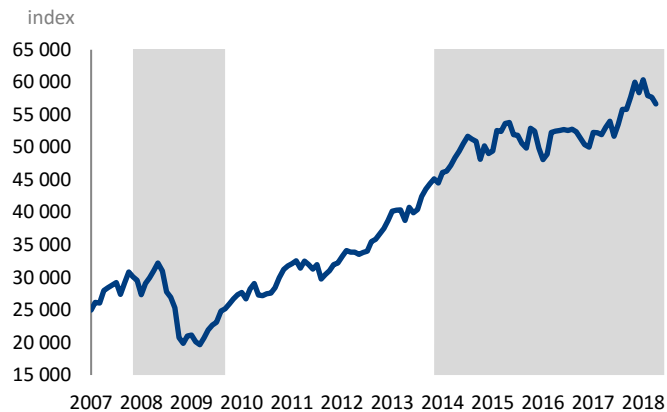


2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018

Source: SARB *higher values denote a stronger rand

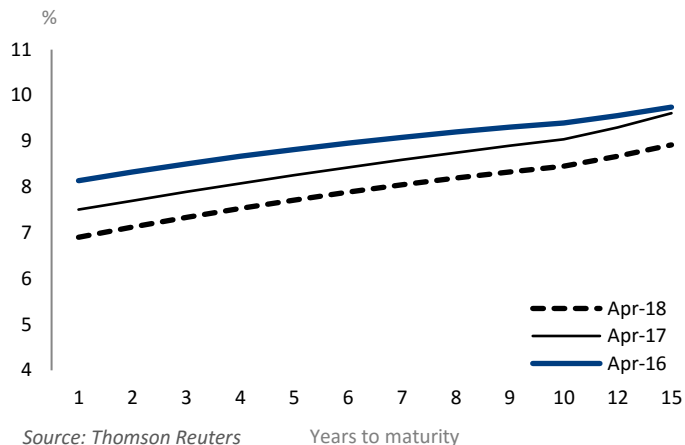
Financial markets

JSE all share index



Source: Thomson Reuters

Yield curve comparisons



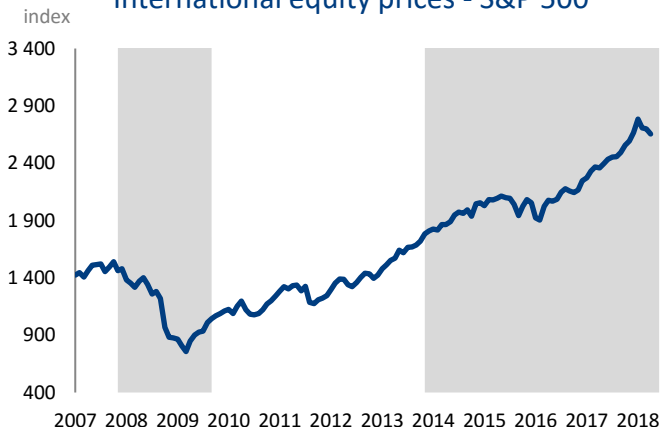
Source: Thomson Reuters

Economist all commodities index



Source: Economist

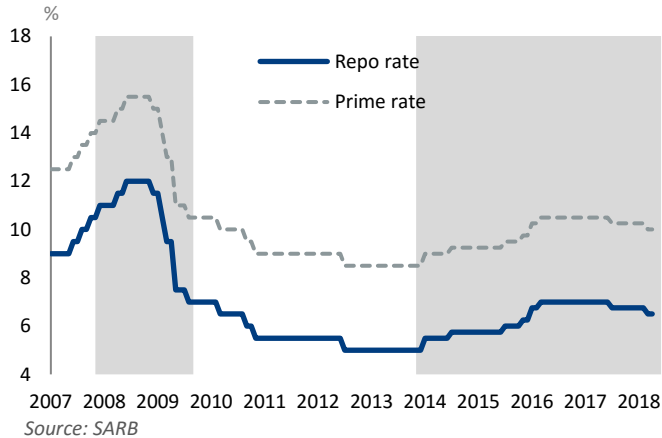
International equity prices - S&P 500



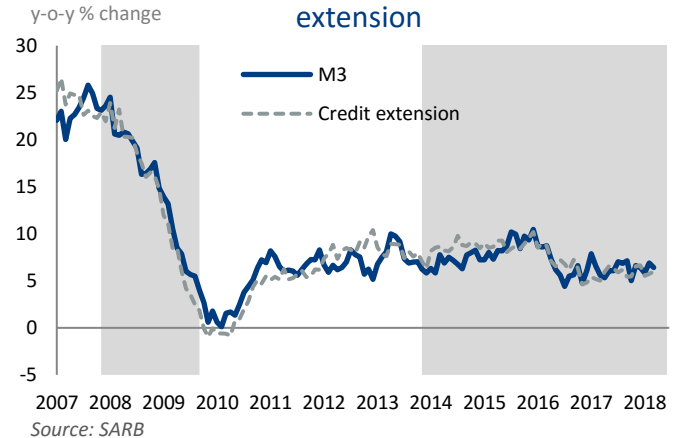
Source: Thomson Reuters

Money and prices

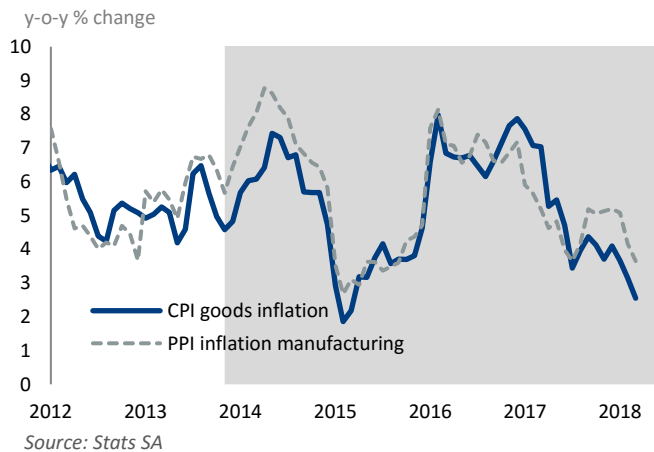
Repo and prime interest rate



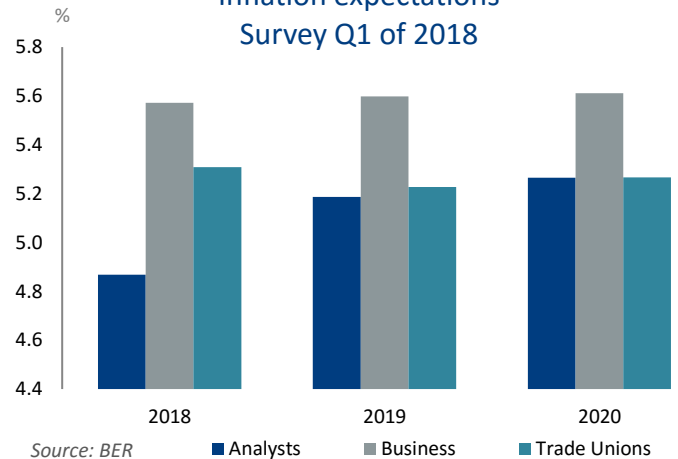
M3 monetary aggregates and credit extension



Consumer and producer prices

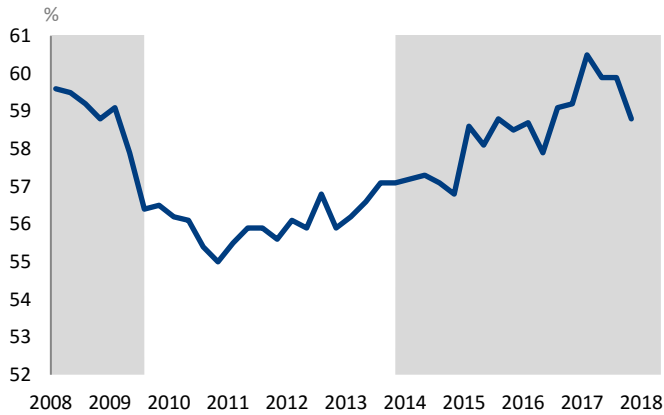


Inflation expectations Survey Q1 of 2018



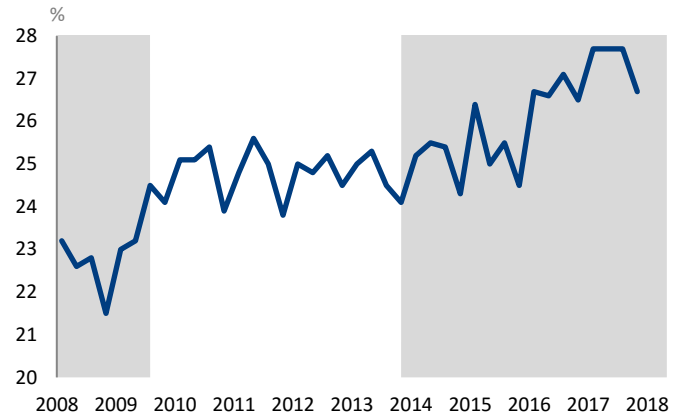
Labour

Labour force participation



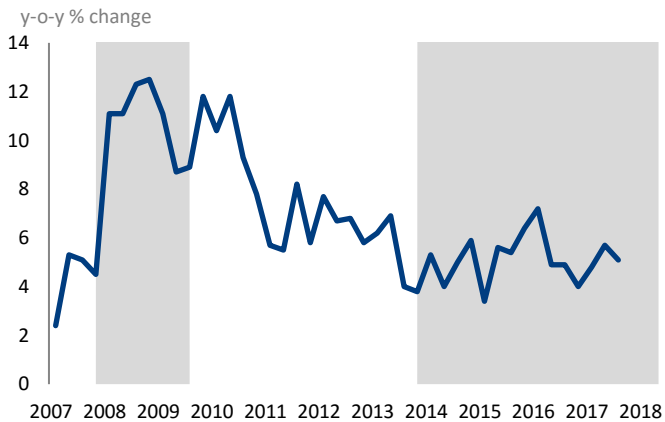
Source: Stats SA

Unemployment rate



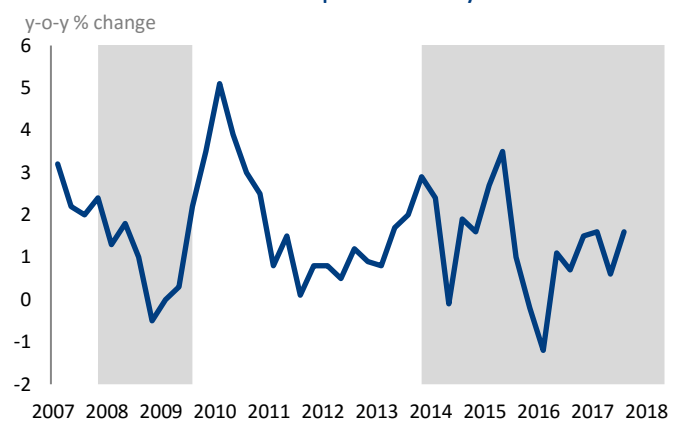
Source: Stats SA

Unit labour cost



Source: SARB

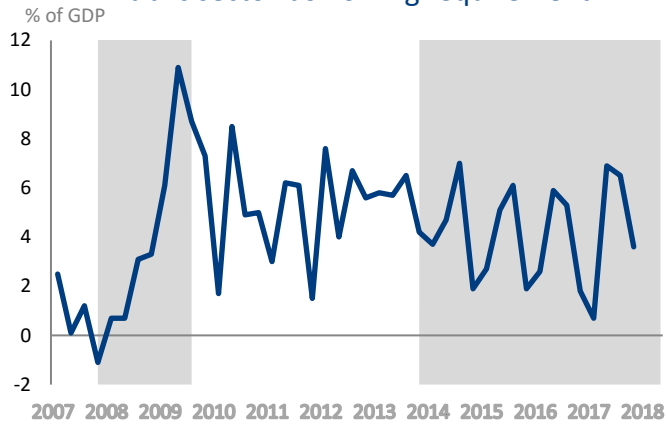
Labour productivity



Source: SARB

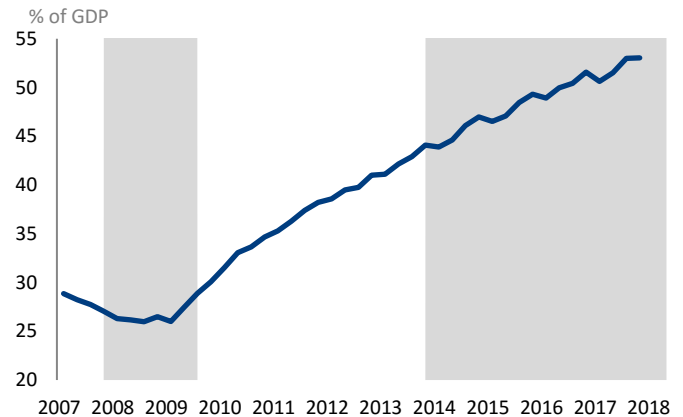
Government

Public sector borrowing requirement



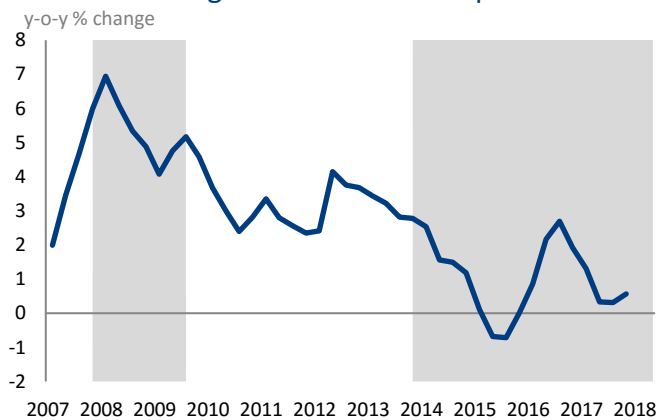
Source: SARB

Gross government debt



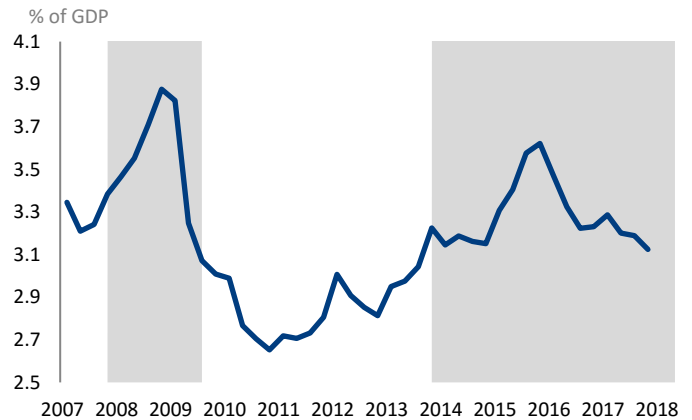
Source: SARB

Real government consumption



Source: SARB, Stats SA

Government fixed investment



Source: SARB, Stats SA

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